

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 DRC-01 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

XMB-04 OPIC-06 /118 W

----- 114305

R 071100Z AUG 75

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 9928

UNCLAS ATHENS 5959

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, GR

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. REVISED FOREIGN INVESTMENT STATEMENT AND STATISTICS  
FOLLOW IN PARAS 2 AND 3, AS REQUESTED REFTEL

2. FOR THE PAST QUARTER CENTURY, GREECE HAS SOUGHT TO  
PROMOTE ECONOMIC DEVELOPMENT BY ENCOURAGING PRIVATE FOREIGN  
INVESTMENT, AND THE INVESTMENT CLIMATE AND LAWS ARE  
GENERALLY FAVORABLE. IN THE 1974 PARLIAMENTARY ELECTIONS,  
THE FIRST FREE BALLOT IN A DECADE, PARTIES FRIENDLY TO  
THE FREE ENTERPRISE SYSTEM AND FOREIGN INVESTMENT WON AN  
OVERWHELMING MAJORITY OF THE POPULAR VOTE. AS GREECE SEEKS  
EARLY FULL MEMBERSHIP IN THE COMMON MARKET, THERE IS AN  
AWARENESS IN BOTH THE GOVERNMENT AND THE PRIVATE SECTOR  
THAT FOREIGN CAPITAL, TECHNOLOGY AND MANAGEMENT EXPERTISE ARE  
ESSENTIAL TO IMPROVE PRODUCTIVITY AND REALIZE ECONOMIES OF SCALE.  
CERTAIN DOMESTIC CONDITIONS CURRENTLY DETRACT FROM AN OPTIMAL  
INVESTMENT CLIMATE, E.G., RENEGOTIATION OF CERTAIN CONTRACTS  
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FROM THE JUNTA PERIOD, FREQUENTLY INADEQUATE COORDINATION AMONG

BUREAUCRATIC BODIES RESPONSIBLE FOR APPROVING AND IMPLEMENTING INVESTMENT PROJECTS, AND SOME LABOR UNREST. HOWEVER, THE RESTORATION OF POLITICAL STABILITY AND THE IMPLEMENTATION OF GENERALLY ENLIGHTENED AND INTELLIGENT ECONOMIC POLICIES BODE WELL FOR A RESURGENCE OF BOTH FOREIGN AND DOMESTIC INVESTMENT, ASSUMING NO NEW CRISIS WITH TURKEY. GREECE ALSO OFFERS FOREIGN INVESTORS CERTAIN NATURAL ADVANTAGES: ITS LOCATION AT THE CROSSROADS OF EUROPE AND THE MIDDLE EAST; A POTENTIAL FOR MINERAL AND PETROLEUM DISCOVERY AND EXPLOITATION; AND RELATIVELY LOW-COST LABOR. CAPITAL IMPORTED INTO GREECE FOR PRODUCTIVE INVESTMENT UNDER BASIC FOREIGN INVESTMENT LAW 2687 ENJOYS CONSTITUTIONALLY GUARANTEED INCENTIVES AND PROTECTION. THIS LEGISLATION PROVIDES FOR THE REPATRIATION OF UP TO 10 PERCENT OF EQUITY AND LOAN CAPITAL PER YEAR, AND THE ANNUAL REMITTANCE IN FOREIGN EXCHANGE OF INTEREST UP TO 10 PERCENT OF LOAN CAPITAL, AND DIVIDENDS EQUAL TO 12 PERCENT OF EQUITY. LAW 2687 ALSO PROVIDES FOR EMPLOYMENT OF FOREIGN NATIONALS IN EXECUTIVE, TECHNICAL AND ADMINISTRATIVE POSITIONS; PROTECTION AGAINST COMPULSORY EXPROPRIATION; EQUAL TREATMENT; AND ARBITRATION OF DISPUTES BETWEEN THE FOREIGN INVESTOR AND THE GREEK GOVERNMENT. FOREIGN-CONTROLLED ENTERPRISES ALSO GENERALLY ENJOY THE SAME INCENTIVES AS DOMESTIC BUSINESS. INVESTMENT RELATED TO EXPORTS AND IMPORT SUBSTITUTION IS PARTICULARLY ENCOURAGED THROUGH SPECIAL TAX AND TARIFF ACCOMMODATIONS, AND MANY TAX AND OTHER INCENTIVES ARE AIMED AT PROMOTING REGIONAL DEVELOPMENT. GOVERNMENT PROCUREMENT FAVORS LOCAL PURCHASES. INVESTORS ARE PROTECTED IN THE TECHNOLOGY TRANSFER PROCESS BY PATENT AND ROYALTY LAWS. A DOUBLE-TAXATION TREATY EXISTS WITH THE U.S. FULL OPIC INSURANCE IS AVAILABLE FOR U.S. INVESTMENT, WHICH NOW AMOUNTS TO ABOUT \$320 MILLION OUT OF APPROXIMATELY \$600 MILLION THAT HAS ENTERED GREECE UNDER LAW 2687 SINCE 1957.

### 3. INVESTMENT STATISTICS:

A. U.S. DIRECT INVESTMENT AT END OF 1974 - ACCORDING TO BANK OF GREECE STATISTICS, USING PRELIMINARY DATA FOR 1974, U.S. DIRECT INVESTMENT UNDER BASIC INVESTMENT LAW 2687 REACHED \$421 MILLION AT THE END OF 1974. THE EMBASSY BELIEVES THAT THIS FIGURE OVERSTATES THE VALUE OF U.S. INVESTMENT SINCE IT INCLUDES CERTAIN DOLLAR INFLOWS WHICH ARE NOT RELATED TO U.S. PROJECTS.

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EMBASSY ESTIMATES PLACE U.S. INVESTMENT AT ABOUT \$320 MILLION, BROKEN DOWN AS FOLLOWS: MANUFACTURING - \$255 MILLION; OIL EXPLORATION - \$32 MILLION; MINING AND SMELTING - \$16 MILLION; TOURISM - \$10 MILLION; OTHER - \$5 MILLION;

B. DIRECT INVESTMENT BY ALL COUNTRIES, AT THE END OF 1974.

1) TOTAL, INCLUDING U.S. \$607 MILLION

2) OTHER COUNTRIES - EC (6), \$130 MILLION; UK - \$14 MILLION;

OTHER WESTERN EUROPEAN NATIONS \$42 MILLION.

THESE FIGURES, PROVIDED BY THE BANK OF GREECE, REPRESENT GROSS INFLOW OF CAPITAL AND MACHINERY UNDER BASIC INVESTMENT LAW 2687. WITH RESPECT TO INVESTMENT FROM THE SIX ORIGINAL MEMBERS OF THE COMMON MARKET, APPROXIMATELY 40 PERCENT OF THE TOTAL IS FROM THE FEDERAL GERMAN REPUBLIC, AND 40 PERCENT FROM FRANCE.

C. DIRECT INVESTMENT IN THE U.S. BY FOREIGNERS - THERE ARE NO STATISTICAL DATA LOCALLY AVAILABLE ON DIRECT INVESTMENT IN THE U.S. BY GREEK NATIONALS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVESTMENT CLIMATE, FINANCIAL DATA, INVESTMENT OPPORTUNITY REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975ATHENS05959  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750272-1092  
**From:** ATHENS  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19750871/aaaackvn.tel  
**Line Count:** 125  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 165596  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ellisoob  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 FEB 2003 by ReddocGW>; APPROVED <02 FEB 2004 by ellisoob>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN INVESTMENT CLIMATE AND STATISTICS  
**TAGS:** EFIN, EIND, EINV, GR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006